

**Illinois EE Stakeholder Advisory Group
Market Transformation Savings Working Group
Thursday, February 13, 2020
10:00am to 12:00pm
Teleconference**

Attendees and Meeting Notes

Attendees (by webinar)

Celia Johnson, SAG Facilitator
Nick Hromalik, Midwest Energy Efficiency Alliance (MEEA) – Meeting Support
Laura Agapay-Read, Guidehouse
Matt Armstrong, Ameren Illinois
David Brightwell, ICC Staff
Lauren Casentini, Resource Innovations
Kegan Daugherty, Resource Innovations
Leanne DeMar, Nicor Gas
Christine Del Priore, Agentis Energy
Nick Dreher, MEEA
Stacey Paradis, MEEA
Gabriel Duarte, CLEAResult
Allen Dusault, Franklin Energy
Jim Fay, ComEd
Margie Gardner, Resource Innovations
Jean Gibson, Peoples Gas & North Shore Gas
Molly Graham, MEEA
Randy Gunn, Guidehouse
Kelly Gunn, ComEd
Scott Hackel, Slipstream
Jeff Harris, Northwest Energy Efficiency Alliance (NEEA)
Jan Harris, Guidehouse
Hannah Howard, Opinion Dynamics
Cheryl Jenkins, VEIC (IL-TRM Administrator)
Jim Jerozal, Nicor Gas
Karianne McCue, Nicor Gas
Zenia Montero, ICF
Jennifer Morris, ICC Staff
Phil Mosenthal, Optimal Energy, on behalf of IL Attorney General's Office
Agnes Mrozowski, Ameren Illinois
Chris Neme, Energy Futures Group, on behalf of NRDC
Rob Neumann, Guidehouse
Randy Opdyke, Nicor Gas
Patricia Plympton, Guidehouse
Christina Pagnusat, Peoples Gas & North Shore Gas
Alberto Rincon, Future Energy Enterprises
Marci Sanders, Resource Innovations
Anthony Santarelli, Smart Energy Design Assistance Center (SEDAC)
Kristol Simms, Ameren Illinois
Ellen Steiner, Opinion Dynamics
Mary Szczygiel, Nicor Gas

Taso Tsiganos, IL Attorney General's Office
Chris Vaughn, Nicor Gas
Alison Lindburg, MEEA
Thomas Manjarres, Franklin Energy
Samarth Medakkar, MEEA
Mark Milby, ComEd
Hardik Shah, Gas Technology Institute

Meeting Notes

Action items indicated in **red font** and summarized at the end of the notes.

Opening and Introductions

Celia Johnson, SAG Facilitator

The purpose of today's meeting:

1. For the SAG Facilitator to provide a brief overview of key topics for the Working Group to address in 2020, including the process for resolving Illinois-specific market transformation savings protocols.
2. To discuss proposed resolution of market transformation policy issues; answer questions and discuss initial feedback; and determine next steps.
3. For the Midwest Market Transformation Collaborative to present a brief update on market transformation initiatives.

SAG MT Savings Working Group: 2020 Plan

Celia Johnson, SAG Facilitator

- This working group is a forum for MT savings evaluation and estimation.
- SAG hopes to provide an opportunity to review specific MT initiatives and the data/approach proposed to be used.
- We also want to determine what initiatives should move forward for inclusion in the TRM.
- Patricia Plympton: Will there be an update on Building Operator Certification (BOC)?
 - Jim Fay: We are moving ahead with BOC this year, as a standard program (not MT). We are very interested in having BOC evaluated from a measure life perspective. In terms of an update, we want to hear the findings on measure life before considering as an MT initiative.
- Process for consensus on savings protocols:
 - The Working Group will focus on discussing specific MT initiatives for inclusion in the TRM.
 - Review business plan and data/approach proposal for individual MT initiatives. Discuss what info should be included in TRM.
 - Circulate draft savings protocol to working group for review.
 - Submit final/consensus savings protocols to TRM Administrator for IL-TRM Version 9.0, no later than Sept. 1, 2020.
- Reminder on process for consensus on policy issues:
 - Policy Manual Version 2.0 was recently approved by the Commission.
 - Proposed policy resolution will be circulated to SAG for review, including a request for edits or questions, with a minimum of ten (10)
 - Business Days provided for review.
 - If the SAG Facilitator receives substantive edits, questions or concerns regarding proposed resolution of an open policy issue, a follow-up SAG discussion will be held with interested SAG participants.

- Final resolution will be documented on the Policy page of the SAG website: <https://www.ilsag.info/policy/>
- The SAG Facilitator will maintain a “Policy Tracker” describing any policies to be considered in a future update to the Policy Manual or ILTRM Policy Document.

Proposed Resolution: Market Transformation Policy

Nick Dreher, MEEA and Margie Gardner, Resource Innovations

Background:

- Attachment C of the IL-TRM (MT Savings Framework) was adopted in 2019
- Public comment raised a few policy issues that need to be discussed by the Working Group.
- MT initiatives have different characteristics than Resource Acquisition (RA) programs so there are challenges to accounting for MT programs into a regulatory system with set four-year portfolio cycles and annual energy savings targets. MT initiative often have a longer horizon.
- Initial MT in the EE portfolio will likely be quite small in the next 5-6 years
 - Gives opportunity to “adaptively manage” or “learn as you go.”
- Recommendation: Try to find simple path for this start-up phase.

Overview of Policy Questions and Recommendations:

- **Policy Question 1: How will MT savings be incorporated into Portfolio cost-effectiveness (C/E)?**
 - Background: Initiative MT Business Plan (BP) will estimate C/E of the initiative over its expected duration, which is likely over multiple planning cycles.
 - Costs occur up front and savings occur later, so hard to parse them fairly into a single plan cycle.
 - Option 1: Continue current practice by treating MT just like traditional RA programs
 - Since costs are front-loaded, makes the portfolio less C/E in near-term cycles
 - Other programs will need to make up the difference if C/E of portfolio is on the margin
 - Utilities bear the full risk before success has a chance to play out
 - Consider placing early costs in R&D/ET/BED to avoid having to demonstrate savings
 - Once savings start, move costs and benefits to regular portfolio
 - Limits to R&D ET/BED investments could limit space for MT spending
 - Phil Mosenthal: Why would C/E be an issue since we do our evaluation on a net present value basis? Wouldn't the model still count all those savings from a planning perspective?
 - Chris Neme: If the utilities have to show that the 4-year plan is cost-effective to get Commission approval, then we either need to modify the C/E for MT portions of the portfolio (which is not prohibitive) or do something else.
 - Phil Mosenthal: There is no rule that says we can't look at future savings in the current plan.
 - Jennifer Morris: I would agree.

- Chris Neme: If you are spending \$5 mil on R&D, then the C/E includes the cost with no benefits, so if you call it MT or not, does not matter.
 - Nick Dreher: I see that point. When we get through to the end of the options, we might decide that C/E is set and instead we talk in more detail about handling the long-term savings.
 - Option 2: Move early costs to count later, when savings are larger.
 - Requires keeping track of an “adder” that reflects total of costs deferred and adds to 3-4 years of annual costs in the future.
 - Option 3: Exclude MT from TRC calculations
 - Similar to IQ programs not required to be cost-effective
 - Could have unintended consequences such as less cost-effective measures
 - Option 4: Delay TRC application of MT until second planning cycle
 - Option 5: Apply estimated TRC and savings annually across MT initiative’s time horizon
 - Might require periodic evaluation
 - Could require post-initiative costs and energy savings calculations with a potential savings true-up
 - Spread the savings across the full-time horizon rather than receiving a large boon in savings at the end.
 - This option seeks to remove risk. Periodic evaluations allow for identifying if something does not work and the ability to adjust.
- **Policy Question 2: How will MT savings be incorporated into utility EE goals?**
 - Savings are expected to be a small proportion of overall EE portfolio in next 5-6 years.
- **Policy Question 3: How with Mt savings be incorporated into electric utility financial incentives?**
 - Recommendation: Fold MT savings into the calculations currently used for traditional RA incentives.
- **Policy Question 4: Will an adjustable to Natural Market Baseline (NMB) be applied retrospectively or prospectively to savings?**
 - If when data because available, NMB may change.
 - Recommendation: adjustments are applied prospectively.
- **Policy Question 5: How will savings and costs be dealt with across filing periods?**
 - A proposed resolution was briefly discussed at the Nov. 2019 Working Group meeting, and the SAG Facilitator circulated draft policy language for review following that meeting. Minor edits were shared with the SAG Facilitator during the comment timeframe.
 - **MEEA and Resource Innovations to include proposed policy language for policy question #5 in the draft policy resolution document to be circulated in follow-up from this meeting.**

Working Group Discussion on Policy Question 1 (Cost-Effectiveness or C/E):

- Phil Mosenthal: All of these options diverge from a proper cost-effectiveness analysis. There are significant issues to figure out – when do utilities get to count savings if they

cross plan periods? How do we set baselines? How do we do ex post C/E if savings haven't occurred yet?

- Chris Neme: My proposal is we do a C/E assessment of MT initiatives – we do a C/E assessment when a plan is submitted for approval, and then retrospectively. We are talking about option 1, but with the caveat that what we do currently is count the measures that are installed in the year(s) of the planning cycle we are analyzing. The twist is we will also be counting both future costs and future savings, for measures installed post Plan cycle, in the calculation. Because this includes future costs, considering the impact on the portfolio is important. Suggests separately calculating and reporting the C/E estimates for MT initiatives, and report the portfolio total TRC with and without the MT initiatives so you can see the distinction.
 - Jennifer Morris and Phil Mosenthal: Generally agree.
 - Margie Gardner: In this scenario you would only count the savings for measures in the years they are actually installed – is that for goal achievement purposes?
 - Chris Neme: Currently when the portfolios are analyzed and assessed for C/E, the C/E assessment of that plan cycle includes all of the spending in that plan cycle and all of the savings that will occur for “x” number of future years, only for the measures installed in that plan cycle.
 - Chris Neme: Goals and financial incentives are bigger MT policy issues to discuss.
 - Jim Fay: We would like MT options to be as equivalent/on a level playing field as much as possible with traditional EE investments. We prefer option 1, where you are using the standard way of calculating the TRC. We are also asking the Q – is MT investment a better investment than traditional RA investments? What is the best mix of MT and RA in the portfolio? When we look at MT investments, the concern is how much are the future savings at risk?
 - Next steps for Policy Question 1: MEEA and Resource Innovations to draft proposed policy resolution and send to SAG Facilitator for circulation to the Working Group for review/comment.

Working Group Discussion on Policy Question 2 (how will MT savings be incorporated into utility EE goals?) and Policy Question 3 (how will MT savings be incorporated into electric utility financial incentives?):

- Chris Neme: You could have MT savings occurring in the first year; it's not necessarily far in the future. The extent to which savings from MT initiatives are “deferred” into the future will depend on which initiative we are talking about. Due to CPAS we probably need to claim the savings in the year they are actually occurring. I think there are challenges: if spending money up front with modest savings in the near term, how does the company (more incentives for electric) spend more money on MT when you have CPAS considerations.? Not really sure what to do about this...I also think Jim makes a good point on risk, but maybe we tackle that issue next after we figure out this savings issue?
- Phil Mosenthal: There are several levels of certainty that could be provided, such as deeming an attribution factor, a future baseline, and a clear methodology so it is understood exactly how savings will be counted in the future. It's also possible we do an evaluation that looks at leading market indicators, and if they appear on track with what we expect, allow savings to be counted based on those indicators.
- Jennifer Morris: I have concerns about this approach but I'm open to discussing further. I'm supportive of claiming savings in the year they actually occur.

- Jim Jerozal: Every year that you are calculating savings, you would claim them as they are coming in – would we continue to claim those, year over year, as the initiatives progress?
 - Chris Neme: Yes, I think that's what Jennifer is suggesting. This is also where I am leaning, but willing to think more about this, in particular on discussions of individual programs. If this is the route we are going, there will be years where there are no costs but there are savings to be claimed. This is fine, but we need to be clear about this.
 - Jim Jerozal: On the gas side, we are capped at 5% of the total portfolio budget for MT. There is an explicit statutory 5% budget cap for MT. Is 5% going to move my total portfolio costs or my TRC?
 - Jennifer Morris: I thought the 5% was specifically for local governments and municipal corporations, in the gas statute.
 - Phil Mosenthal: There may be flexibility on what is counted as MT/what is a hybrid.
 - Margie Gardner: It becomes MT when the savings are beyond the rebate.
 - Chris Neme: There are two separate issues: 1) In what year do you count the savings? And 2) how do we deal with the risk/uncertainty?
 - Phil Mosenthal: I would rather count the savings on when they are actually there. My position on this is highly dependent on the evaluation approach. How confident am I that the savings will be there?
- **Next Steps for Policy Question 2 and Policy Question 3: The savings questions will be discussed again when the Working Group discusses specific MT initiatives and proposed savings protocols.**

Working Group Discussion on Policy Question 4: Will any adjustments to Natural Market Baseline (NMB) be applied retrospectively or prospectively to savings?

- Chris Neme: I'm fine with the natural market baseline assumptions being locked in, until such time there is information to change them, at which point they should be changed in the following year. This means we should be revisiting the assumptions around NMB with some frequency.
 - Phil Mosenthal: This may depend on the MT initiative; I can imagine types of initiatives where I would be concerned about this.
 - Chris Neme: Jim Fay, does this address your concerns?
 - Jim Fay: In part. There is still risk due to the savings being commensurate with the costs.
- **Next Steps for Policy Question 4:**
 - **The proposed resolution will be drafted/circulated for review (applying NMB prospectively).**
 - **MEEA and Resource Innovations will check on who raised comments on prospective vs. retrospective when finalizing the 2019 Attachment C Framework, and follow-up directly.**

Midwest Market Transformation Collaborative Update
Marci Sanders, Resource Innovations

- Today I will be giving a quick update of the Midwest MT Collaborative initiatives.
- Initiatives:
 - Opportunity briefs: Luminaire Level Lighting Controls and Commercial Food Service
 - Business plan: Gas HPWH

- Implementation phase: Code Compliance
- **Chris Neme: I'm interested in more information about the MT initiatives that fell off the list.**
 - **A: Resource Innovations to follow-up with Chris Neme.**
- **Luminaire Level Lighting Controls:**
 - Opportunity Brief completed.
 - Plan for 2020: Recruit enough utilities to invest in a building plan (a building implementation plan, due to so much already being known about this initiative, we will also include products and planning programs which could then accelerate this program).
 - Possible coordination with NEEA's program.
- **Code Compliance Implementation Plan:**
 - MEEA completed the residential and commercial code compliance baseline studies in late 2019, final reports delivered to IL utilities.
 - Plan for 2020: MEEA in process of developing an implementation plan to present to IL utilities. The plan is to present to the Working Group after implementation plan is reviewed.
- **Commercial Food Service:**
 - Pilot program, midstream/distributor engagement and incentive program with 16 dealers signed into the program.
 - Plan for 2020: Continued delivery of the pilot program.
 - Develop MT Business Plan and Implementation Plan.
 - Nicor Gas, ComEd, and Peoples Gas will meet late 2020 to evaluate the pilot results.
- **Gas Heat Pump Water Heaters (GHPWH)**
 - MT logic model and market progress indicators completed with NEEA.
 - Plan for 2020: Finalizing Business Plan and Implementation Plan
 - Complete WH market characterization research.
 - Launch field demonstration in Nicor service territory, including a large number of products.
 - Develop a savings baseline.
 - Launch national and local MT intervention strategies.
 - Chris Neme: Are the field demonstrations funded under Nicor's R&D program?
 - A: Yes, funded under the Emerging Tech program.
- **Potential MT Initiative Opportunities: Midwest MT Collaborative members voted for opportunity briefs for:**
 - Residential advanced windows
 - Commercial window attachments
 - Electric heat pump water heater
 - More info to come soon, we will develop opportunity briefs for each one.
 - Chris Neme: Will all of the opportunity briefs mentioned today be completed in 2020? Can those be circulated?
 - A: Yes.
- **Next steps: SAG Facilitator will post Opportunity Briefs on website and circulate to Working Group.**

Closing and Next Steps

Celia Johnson, SAG Facilitator

- We will discuss specific MT savings protocols in future meetings in 2020. The next meeting will be held on Tuesday, May 19 (teleconference).

Open Policy Questions and Summary of Next Steps:

- Policy Question 1: How will MT savings and costs be treated in calculating portfolios cost-effectiveness (C/E)?
 - MEEA and Resource Innovations to draft proposed policy resolution and send to SAG Facilitator for circulation to the Working Group for review/comment.
- Policy Question 2: How will MT savings be incorporated into gas & electric utility EE goals?
 - The savings questions will be discussed again when the Working Group discusses specific MT initiatives and proposed savings protocols.
- Policy Question 3: How will MT savings be incorporated into electric utility financial incentives?
 - The savings questions will be discussed again when the Working Group discusses specific MT initiatives and proposed savings protocols.
- Policy Question 4: If adjustments to the Natural Market Baseline (NMB) are needed during initiative implementation will the adjustment be applied retrospectively or prospectively to estimates of savings for that initiative?
 - The proposed resolution will be drafted/circulated for review (applying NMB prospectively).
 - MEEA and Resource Innovations will check on who raised comments on prospective vs. retrospective when finalizing the 2019 Attachment C Framework, and follow-up directly.
- Policy Question 5: How will savings and costs be dealt with across filing periods?
 - MEEA and Resource Innovations to include proposed policy language for policy question #5 in the draft policy resolution document to be circulated for review/comment. Draft policy language was originally circulated in follow-up to the Nov. 2019 Working Group meeting.

Additional Follow-up Items:

SAG Facilitator posted Opportunity Briefs on the [Working Group website](#):

- [Commercial Food Service Opportunity Brief](#)
- [Luminaire Level Lighting Control Systems Opportunity Brief](#)